

### ECONOMIC OPPORTUNITY: MICROENTERPRISE

#### **ECONOMIC OPPORTUNITY - MICROENTERPRISE**

The goal of the Economic Opportunity Initiatives Microenterprise program is to increase the incomes/assets of low-income micro entrepreneurs over a three-year period by at least 25%. If that goal is achieved within the three year program service period, new higher advancement goals are identified.

#### **PROGRAM NEEDS**

In the current recession, small business failure is high. Low income people already had a greater challenge than others succeeding in the marketplace. The Economic Opportunity Initiative (EOI) has shown great success in promoting microenterprise growth in its first three graduating classes. Most of the graduates completing their three year program increased their business revenues by almost 300%. Now in the downturn, we are finding that our 415 very small businesses are for the most part, holding on and losing less than other similar businesses. We attribute this to the support and training that they receive as part of the Initiative.

Difficulties in the banking sector have continued to make expansion and working capital scarce. Mercy Corps has recently increased its funds available to microenterprises and MESO has past the first round of SBA reviews for their Microenterprise loan fund. For the 10/11 contract year, the City eliminated its one time only investments in EOI and also eliminated some other funding that was used for loans by EOI contractor, the Hispanic Metropolitan Chamber.

#### **PROGRAM DESCRIPTION**

The Economic Opportunity Microenterprise program funds several non-profit community-based organizations to provide technical assistance to specific groups of low-income people, including home-based child care providers, minority construction firms and aspiring Latino businesses. Each organization must identify the specific group of low-income people that it will serve and must show competency at serving this group. The activity must increase the incomes and/or assets of the identified group by 25% over three years. The activity must also contain program elements tailored to the needs of the identified group, including support services and a peer support

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component.

### **PROGRAM TOOLS**

In addition to individualized provision of microenterprise development assistance, all enrolled EOI microenterprises have the opportunity to use several jointly provided services; business legal assistance, credit repair, marketing assistance, resolution of minor personal criminal, civil and driver's license issues.

### **PROJECT SELECTION AND OPERATIONS**

Economic Opportunity Projects were initially selected by an RFP process. Continuation in the program is determined annually based on performance. Project and Economic Opportunity staff work together constantly to identify the program funds financial and/or technical assistance to specific groups of low-income people, including home-based child care providers performance issues, resource needs and potential policy recommendations as a result of their work. PDC is considering developing a new RFP for the 12/13 program year which would somewhat reshape the requested services to align with the Portland Economic Development Strategy and the Neighborhood Economic Development Strategy.

### **PROGRAM ELIGIBILITY**

Microenterprise projects receive funds to work with Portland residents in their focus populations, 50% of a Microenterprise Project's participants can be 80% -50% of median family income. The other 50% must be at or below 50% of the area MFI.

### **POTENTIAL BARRIERS**

Micro entrepreneurs' success depends on their own skills and motivation, as well as the economic marketplace. Because funders and agencies do not have control over these variables, and because of the high risks inherent in any small business enterprise, Microenterprise projects have a greater chance of failure than conventional community development projects that produce tangibles like units of housing, miles of pavement, or community centers or even EOI workforce development projects. However, a successful microenterprise will

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directly benefit the low-income participants and their families. Since the recession, difficulties in the banking sector have continued to make expansion and working capital scarce. Mercy Corps has recently increased its funds available to microenterprises and MESO has past the first round of SBA reviews for their Microenterprise loan fund. For the 10/11 contract year, the City eliminated its one time only investments in EOI and also eliminated some other funding that was used for loans by EOI contractor, the Hispanic Metropolitan Chamber.

### **PARTNER AGENCIES AND ORGANIZATIONS**

- The Oregon Microenterprise Network (OMEN) and the ASPEN Institute both review and provide their assessment of our Microenterprise performance data.

Additionally OMEN provides Market link data and marketing consultation services to EOI businesses.

- The United Way of the Columbia-Willamette and the NW Area Foundation
- The Oregon Labor Division, Child Care Section has provided match for the City's investment in the Childcare Improvement Project. EOI staff helped establish a working capital system and expansion capital for emergency efficiency related construction contractors which EOI convinced the NW Area Foundation to seed and the US Department of Energy has further developed with a \$20 million grant to Clean Energy Works Oregon.

### **COMPLEMENTARY LOCAL, REGIONAL AND NATIONAL EFFORTS**

This program's strategy differs from, and complements, most regional, state, and federal economic development efforts. Those efforts focus on investing in more developed, higher revenue businesses or developing infrastructure to attract businesses, anticipating that the benefits from these investments will trickle down to low-income workers. Loan capital is the most common form of their investment. EOI is focused on training and development rather than loans for discrete groups of low-income residents. Loan-led strategies for this group can result in bankruptcies. It is premised on best practice research that indicates high quality, comprehensive projects to nurture the development of microenterprises can succeed in increasing the

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incomes and assets of low-income micro entrepreneurs.

### **GEOGRAPHIC SERVICE AREAS (INCLUDING AREAS OF LOWINCOME FAMILIES AND/OR RACIAL MINORITY CONCENTRATION)**

Consortium-wide.

### **MONITORING**

All contractors are pre-screened for CDBG compliance during the RFP process.

A description of PHB's Monitoring program is in Section One.

### ECONOMIC OPPORTUNITY: WORKFORCE DEVELOPMENT

#### **ECONOMIC OPPORTUNITY - WORKFORCE DEVELOPMENT**

The goal of the Economic Opportunity Workforce program is to increase the incomes and/or assets of low-income workforce trainees over a three year period by at least 25%. If that goal is achieved within the three-year program service period, new higher advancement goals are identified.

#### **WORKFORCE DEVELOPMENT NEEDS**

In the years since the development of the Economic Opportunity Initiative (EOI), the role of a program that provides very challenged workers with long term coaching, training, supports and advancement assistance has become even more important. The outcomes of the first three-year graduating class demonstrate the value of the EOI's approach. Most graduates began the program with zero income; a few were employed at minimum wage. The average graduation wage is \$15.69 per hour. The recent Portland self-sufficiency study conducted by the University of Washington says that \$15.25 is a self-sufficient wage for our average participant, a single parent with two children.

The mainstream workforce system has had to significantly reduce its support service budgets and adopt a service model that provides no case management for any of their customers. To improve this situation, the Economic Opportunity Initiative will work to create a coordinated service plan agreement with the local Workforce Investment Board (WIB). The WIB would make referrals to EOI of people that come in their doors needing more and different types of help than they can provide to succeed in employment.

#### **PROGRAM DESCRIPTION**

The Economic Opportunity Workforce Development program funds 24 community-based organizations to provide life and basic skills training, occupational training, job placement, personal and peer support, and long-term advancement assistance to specific groups of low-income people. These include homeless adults, high risk youth, recent immigrants and refugees, and public housing residents. Each organization must identify the specific group of low-income people that it will serve, and must show competency at serving this group. The activity must increase the incomes and/or assets of the identified

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group by a minimum of 25% over three years. After EOI job placement, new goals for wage advancement are set based on individual factors.

### PROGRAM TOOLS

- An RFP process that relies upon a community review panel to select the projects that have the best chance of success.
- Quarterly wage reporting through an on-line system.
- Detailed contract benchmarks to ensure projects progress and produce outcomes as promised.
- Early participation of committed employers who agree to hire participants.
- An arrangement with the State Employment Department to verify participant employment and earning status on an annual basis.

### PROGRAM SELECTION

Projects were selected in 2004 or 2005 by RFP with a few additional projects added through a joint Enterprise Zone/Economic Opportunity Initiative RFP in 2007. Continued funding is based on performance information assessed in April of each year based on three quarters of that year's performance. PDC is considering developing a new RFP for the 12/13 program year which would somewhat reshape the requested services to align with the Portland Economic Development Strategy and the Neighborhood Economic Development Strategy.

### PROGRAM ELIGIBILITY

Workforce development projects receive funds to work with individuals in their focus populations with household incomes of 50% MFI or below.

### POTENTIAL BARRIERS

The success of workforce trainees depends on their own skills, abilities, and motivation, as well as the economic marketplace. Personal challenges and economic fluctuations can both impact program success. Because funders and agencies do not have control over these variables, workforce training projects have a somewhat

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greater risk of failure than conventional community development projects that produce tangibles like units of housing, miles of pavement, or community centers. However, programs that assist people to successfully make the transition into paid employment will be directly benefiting the low-income participants and their families.

Private employers must be willing to commit to hire workforce trainees. The 2008 economic downturn has made employer commitments harder to obtain but we still have enough to justify the funding based on CDBG standards unless the project is part of an organization that qualifies as a Community-based Development Organization (CBDO).

The Economic & Workforce Development goals of a CBDO based EOI project must be articulated in their mission and by-laws.

### **PARTNER AGENCIES AND ORGANIZATIONS**

- The NW Area Foundation employs a firm each year to study the effectiveness of their projects. EOI has participated in that study since 2005.
- The United Way of the Columbia-Willamette, NW Area Foundation, OR Community Foundation & the NW Health Foundation are partners and joint funders.
- We hope to increase our use of Portland Development Employer connections to assist workforce participants.
- Worksystems, Inc. provides funding and some service to approximately one-third of workforce project participants.

### **COMPLEMENTARY LOCAL, REGIONAL AND NATIONAL EFFORTS**

There are several nationally funded, local workforce development efforts that focus on general job readiness and/or skill training. The Economic Opportunity Initiative Workforce program complements these efforts in several ways:

- Projects are tailored to the specific assets and needs of discrete groups of low-income residents.
- Participants may receive greater preparation for skill training, as well as enhanced supports throughout the training program.

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- Projects include longer term follow up with both the participant and the employer to ensure success.

An increasing number of cities have begun to look at the Portland Initiative as a model, as the positive outcomes become clear from the graduation data. The program has been replicated in Duluth MN & locally Gresham has begun operating some similar project with CDBG.

### **GEOGRAPHIC SERVICE AREAS (INCLUDING AREAS OF LOWINCOME FAMILIES AND/OR RACIAL/MINORITY CONCENTRATION- 56%)**

Consortium-wide.

### **MONITORING**

All contractors are pre-screened for CDBG compliance during the RFP process. PHB will monitor all contractors as described in Section One.